

**OQUIRRH RECREATION AND PARKS DISTRICT**

**Financial Statements  
and  
Report of Independent Certified Public Accountants**

**December 31, 2005**

**Hansen, Bradshaw, Malmrose & Erickson**

**A Professional Corporation  
CERTIFIED PUBLIC ACCOUNTANTS**

# OQUIRRH RECREATION AND PARKS DISTRICT

## Table of Contents

Report of Independent Certified Public Accountants .....	1-2
Management's Discussion and Analysis .....	3-7
Basic Financial Statements:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses and Changes in Net Assets .....	9
Statement of Cash Flows .....	10
Notes to the Financial Statements .....	11-19
Report of Independent Certified Public Accountants on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	20-21
Report of Independent Certified Public Accountants on Legal Compliance with Applicable Utah State Laws and Regulations .....	22-23

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CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Oquirrh Recreation and Parks District  
Kearns, UT

We have audited the accompanying basic financial statements of Oquirrh Recreation and Parks District as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis on our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Oquirrh Recreation and Parks District as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2006 on our consideration of Oquirrh Recreation and Parks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

March 30, 2006



# Oquirrh Recreation and Parks District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2005

This discussion of Oquirrh Recreation and Parks District's financial performance provides an overview of the District's financial position for the year ending December 31, 2005. Please read this analysis in conjunction with our financial statements that begin on page 8.

The purpose of the District is "to provide park, recreation, or parkway services of every kind".

### Financial Highlights

- Membership revenue increased 2.9% due to additional advertising
- Admission revenue increased 2.5% due to increased attendance
- Other revenue from programs, retail, concessions and vending increased 5.4%
- Employee benefits increased 6.4% as a result of a significant increase in health insurance premiums
- Interest expense decreased 7.7% attributable to lower outstanding principal balances
- Postage expense increased 14.8% due to an enhanced marketing campaign
- Professional service expense decreased 52% as the usage of legal council was significantly less than the prior year
- As a result of significant increases in natural gas and water, utilities expense increased 11.6%
- Interest income increased 94.2% as a result of higher interest rates and higher cash balances due to delayed capital projects
- Other income of \$100,000 is reported in 2005 from a Community Development Block Grant received for a pavilion addition
- Net assets increased \$768,042 in 2005

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's financial statements. The District maintains only one type of fund, which is an enterprise fund. An enterprise fund is used to account for operations in a manner similar to a private business. The District's financial statements are comprised of the following four components: 1) statement of net assets, 2) statement of revenues, expenses and changes in net assets, 3) statement of cash flows, and 4) notes to the financial statements. These financial statements and notes demonstrate the overall financial performance of the District and are prepared using the accrual basis of accounting.

#### *Statement of Net Assets*

The Statement of Net Assets (Page 8) shows the assets, liabilities and net assets of the District as of December 31, 2005. Assets are divided into current and long-term assets to reflect the liquidity of the assets. Property and equipment include land, buildings and machinery that are used in connection with the District operations. Current liabilities include all debts and obligations owed by the District to outside creditors, vendors, or banks that are payable within one year. Long-term debt includes debts or obligations

owed by the District that are due more than one year out from the current date. Net assets are shown in two components; (1) the amount invested in capital assets and (2) unrestricted net assets. The amount reported as invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the bond and note that are associated with the capital assets. Unrestricted net assets are the residual component of net assets. It consists of net assets that are not defined as 'invested in capital assets, net of related debt'.

*Statement of Revenues, Expenses and Changes in Net Assets*

The Statement of Revenues, Expenses and Changes in Net Assets (Page 9) shows the District's income and expenses from January 1, 2005 to December 31, 2005 as well as the increase or decrease in net assets from the previous year.

*Statement of Cash Flows*

The Statement of Cash Flows (Page 10) shows a summary of the District's cash receipts and disbursements from operating, financing and investing activities from January 1, 2005 to December 31, 2005.

*Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the District's financial statements.

**Financial Statement Comparison to Previous Year**

Following is a comparison of 2005 financial statements with the 2004 financial statements. This comparison is useful in identifying trends or significant changes that have occurred with the District over the past year.

**OQUIRRH RECREATION AND PARKS DISTRICT  
CONDENSED STATEMENT OF NET ASSETS**

	Assets			
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 4,675,090	\$ 4,863,100	\$ (188,010)	-3.9%
Property and Equipment (Net of Accumulated Depreciation)	11,587,013	10,904,061	682,952	6.3%
Other Assets	<u>34,471</u>	<u>40,216</u>	<u>(5,745)</u>	<u>-14.3%</u>
Total Assets	<u>\$16,296,574</u>	<u>\$15,807,377</u>	<u>\$ 489,197</u>	<u>3.1%</u>
	Liabilities and Net Assets			
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>% Change</u>
Current Liabilities	\$ 1,158,322	\$ 865,606	\$ 292,716	33.8%
Long-Term Debt	<u>2,625,310</u>	<u>3,196,871</u>	<u>(571,561)</u>	<u>-17.9%</u>
Total Liabilities	3,783,632	4,062,477	(278,845)	-6.9%
Total Net Assets	<u>12,512,942</u>	<u>11,744,900</u>	<u>768,042</u>	<u>6.5%</u>
Total Liabilities and Net Assets	<u>\$16,296,574</u>	<u>\$15,807,377</u>	<u>\$ 489,197</u>	<u>3.1%</u>

**OQUIRRH RECREATION AND PARKS DISTRICT  
CONDENSED STATEMENT OF REVENUES AND EXPENSES**

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>% Change</u>
Net Operating Revenue	\$ 1,446,296	\$ 1,396,515	49,781	3.6%
Operating Expenses	<u>3,295,145</u>	<u>3,192,787</u>	<u>102,358</u>	<u>3.2%</u>
Net Operating Income	(1,848,849)	(1,796,272)	(52,577)	-2.9%
Net Non-Operating Revenues	<u>2,616,891</u>	<u>2,456,150</u>	<u>160,741</u>	<u>6.5%</u>
Net Income	<u>\$ 768,042</u>	<u>\$ 659,878</u>	<u>\$ 108,164</u>	<u>16.4%</u>

**Results of Financial Operations**

In 2005, the District reports a net income of \$768,042 or 16.4% greater than the 2004 net income of \$659,878. The 2005 net income amount represents 18.9% of total revenue (operating and non-operating). The ability of the District to meet short-term obligations continues to be stable as current assets at December 31, 2005 are \$4,675,090 and current liabilities at the same time are \$1,158,322 or a ratio of better than four to one.

**Analysis of Account Balances**

As of December 31, 2005 the District reports net assets at \$12,512,942, an increase of \$768,042 from December 31, 2004. The statement of net assets shows construction-in-process at December 31, 2005 in the amount of \$948,849. This amount represents design and construction fees that have been paid for a pool and entrance kiosk project that is scheduled to be completed in May, 2006.

**Variance Between Original and Final Budgets & Variance Between Final Budget Amounts and Actual Results**

*Variance Between Original and Final Budgets*

The 2005 amended budget reflected various changes from the original 2005 budget, mainly due to the change in the completion of the pool project from May 2005 to May 2006. The final budget amount for property taxes and fee-in-lieu, based on the certified tax rate and property values was \$1,936,651 in 2005 compared to the original budget amount of \$1,923,065, or an increase of \$13,586. Other changes from the original budget to the amended budget include additional interest income as more cash was retained and decreases in wages, advertising and depreciation as budget amounts for the pool project were adjusted. The net change between the original and amended budget was an increase of \$105,993 in budgeted net income from \$304,345 to \$410,338.

*Variance Between Final Budget Amounts and Actual Results*

The 2005 actual results reported by the District compare favorably to the final budget. Net income for the year was over twice the budgeted amount as management was able to increase operating revenues by 1.2% and decrease operating expenses 3.4% compared to the final 2005 budget.

The following represents the 2005 actual results compared to the final budget:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
Revenue	\$ 1,446,296	\$ 1,417,213	\$ 29,083
Operating Expenses	<u>3,295,145</u>	<u>3,422,026</u>	<u>126,881</u>
Net Operating Income	(1,848,849)	(2,004,813)	155,964
Net Non-Operating Revenues	<u>2,616,891</u>	<u>2,415,151</u>	<u>201,740</u>
Net Income	<u>\$ 768,042</u>	<u>\$ 410,338</u>	<u>\$ 357,704</u>

### Capital Assets and Long-Term Debt

#### *Capital Assets*

As of December 31, 2005, the District had invested nearly \$16.5 million in capital assets, including land, buildings and equipment. This amount includes 2005 capital improvements in the amount of \$1,292,021. Significant 2005 capital investments include additional fitness room equipment and the addition of a pavilion in that park area. A capital project is currently in the construction phase. The project will include a pool, splash pad area, entry kiosk and restroom facilities. This project is expected to be completed in May 2006 with a total cost of approximately \$2.1 million.

The following schedule presents capital asset balances at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Swimming Pool	\$ 1,391,335	\$ 1,391,335	\$ --
Tennis Clubhouse	421,470	421,470	--
Equipment	675,707	572,376	103,331
Site Improvements	761,897	731,681	30,216
Buildings	10,872,105	10,872,105	--
Park	833,128	570,800	262,328
Land	546,171	546,171	--
Construction in Progress	<u>948,848</u>	<u>62,805</u>	<u>886,043</u>
Total Capital Assets	16,450,661	15,168,743	1,281,918
Accumulated Depreciation	<u>(4,863,648)</u>	<u>(4,264,682)</u>	<u>598,966</u>
Total Capital Assets	<u>\$ 11,587,013</u>	<u>\$ 10,904,061</u>	<u>\$ 682,952</u>

#### *Long-Term Debt*

As of December 31, 2005, the District had \$3,195,693 of general obligation bonds and other long-term debt outstanding, of which \$597,844 is due within one year. A comparison of the District's outstanding long-term debt for 2005 and 2004 is presented below:

	<u>2005</u>	<u>2004</u>	<u>Change</u>
General Obligation Bonds	\$ 2,685,000	\$ 3,070,000	\$ (385,000)
Note Payable	<u>510,693</u>	<u>701,956</u>	<u>(191,263)</u>
Total Long-Term Debt	<u>\$ 3,195,693</u>	<u>\$ 3,771,956</u>	<u>\$ (576,263)</u>



### **The Future of the District**

The financial status of the Oquirrh Recreation and Parks District indicates that the District will be in very stable financial condition in the foreseeable future. The District ended 2005 with over \$12.5 million of net assets and reported net income of over \$750,000 for 2005. With increased operational costs and the need to maintain the Fitness Center assets, it will be a challenge to continue to report similar numbers in the future. However, the District is committed to continuing to provide exceptional recreational services to the community while at the same time remaining on very stable financial ground.

The District is in the process of negotiating the long-term disposition of the Oval with the Utah Athletic Foundation (UAF), which is to occur by contract on January 1, 2008. The financial impact of the disposition remains unknown at this time.

The District recently submitted a proposal to Salt Lake County for Zoo, Arts & Parks (Z.A.P.) monies. Such funding would be used to renovate, expand and/or add to the current facilities offered by the District. The amount of funding is currently unknown as the Salt Lake County decision will be made in June 2006.

### **Contacting the District's Executive Director**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Oquirrh Recreation and Parks District, Attn: Executive Director, 5624 South 4800 West, Kearns, UT 84118.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Statement of Net Assets**  
**December 31, 2005**

**ASSETS**

<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,552,710	
Receivable - other	6,355	
Property taxes receivable	96,313	
Prepaid expenses	<u>19,712</u>	
Total current assets		\$ 4,675,090
<b>Capital assets:</b>		
Land	546,171	
Property, plant and equipment	14,955,642	
Construction in progress	<u>948,848</u>	
Total	16,450,661	
Less: Accumulated depreciation	( <u>4,863,648</u> )	
Net capital assets		11,587,013
<b>Other assets:</b>		
Deferred charge - prepaid bond issuance cost		<u>34,471</u>
Total assets		<u>16,296,574</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	342,137	
Payroll and related liabilities	88,069	
Other accrued liabilities	6,502	
Deposits	225	
Interest payable	11,169	
Current portion of note payable	197,844	
Current portion of bond payable	400,000	
Unearned revenue	<u>112,376</u>	
Total current liabilities		1,158,322
<b>Long-term liabilities:</b>		
Compensated absences	27,461	
Note payable	312,849	
Bond payable	<u>2,285,000</u>	
Total long-term liabilities		<u>2,625,310</u>
Total liabilities		<u>3,783,632</u>
<b>Net assets:</b>		
Invested in capital assets (net of related debt)	8,391,320	
Unrestricted	<u>4,121,622</u>	
Total net assets		<u>\$12,512,942</u>

See the accompanying notes to the financial statements.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended December 31, 2005**

Operating revenues:		
Sales	\$1,523,660	
Cost of goods sold	( 77,364)	
Total operating revenues		\$1,446,296
Operating expenses:		
Advertising and public relations	16,564	
Bank service charges	8,999	
Chemicals	36,778	
Computer supplies	9,529	
Depreciation	598,966	
Employee benefits	280,814	
Equipment	15,572	
Insurance	59,292	
Memberships and subscriptions	5,470	
Miscellaneous	22,103	
Office supplies	8,855	
Payroll taxes	117,607	
Permits and licenses	5,061	
Postage	13,883	
Printing	23,060	
Professional service fees	26,200	
Repairs and maintenance	81,636	
Salaries and wages	1,541,982	
Special events	47,338	
Supplies	42,624	
Telephone	7,262	
Travel and training	23,095	
Utilities	302,455	
Total operating expenses		<u>3,295,145</u>
Net operating income (loss)		( 1,848,849)
Non-operating revenues (expense):		
Interest income	140,603	
Property taxes and fee in lieu	2,534,309	
Interest expense	( 158,021)	
Grant income	100,000	
Total non-operating revenues (expenses)		<u>2,616,891</u>
Change in net assets		768,042
Net assets - beginning of year		<u>11,744,900</u>
Net assets - end of year		<u><u>\$12,512,942</u></u>

See the accompanying notes to the financial statements.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2005**

Cash flows from operating activities:		
Cash receipts from customers	\$1,536,349	
Cash payments to vendors	( 679,580)	
Cash payments to employees for services and benefits	( 1,806,275)	
Net cash provided (used) by operating activities		(\$ 949,506)
Cash flows from non-capital and related financing activities:		
Other income - property tax and fee in lieu	2,501,086	
Proceeds from federal grant	<u>100,000</u>	
Net cash provided by non-capital and related financing activities		2,601,086
Cash flows from capital and related financing activities:		
Purchase of fixed assets	( 1,281,908)	
Interest paid	( 152,678)	
Reduction of bonds and notes payable	( <u>576,263</u> )	
Net cash provided (used) by capital and related financing activities		( 2,010,849)
Cash flows from investing activities:		
Interest income		<u>140,603</u>
Net increase (decrease) in cash and cash equivalents		( 218,666)
Cash and cash equivalents - beginning of year		<u>4,771,376</u>
Cash and cash equivalents - end of year		<u><u>\$4,552,710</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)		( 1,848,849)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	598,966	
Increase in accounts receivable	( 249)	
Decrease in prepaid expenses	2,816	
Increase in accounts payable	261,849	
Increase in accrued liabilities	23,023	
Increase in unearned revenue	<u>12,938</u>	
Net adjustments		<u>899,343</u>
Net cash provided (used) by operating activities		<u><u>(\$ 949,506)</u></u>

See the accompanying notes to the financial statements.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2005**

1. **REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Oquirrh Recreation and Parks District (hereafter referred to as the District) is a political subdivision of the State of Utah, created by ordinance of the Salt Lake County commission in February 1962. The District provides recreational programs, facilities and services to residents of the Kearns area of Salt Lake County, Utah. The District is governed by an elected board of trustees. Administrative, financial and budgetary responsibilities are vested in the general manager who is a full-time employee of the District. All of the services provided by the District and the activities and funds that are financially accountable to the District as defined by GASB Statement 14 are included in the financial statements.

**Financial Reporting Model**

The District implemented a new financial reporting model in 2004, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

**Measurement Focus and Basis of Accounting**

The District is an enterprise fund which is reported using the economic resources measurement focus and the accrual basis of accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recognized when they are earned, expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Sources of Revenue

The District receives property tax revenue from taxes and fees levied on property located within the taxing district and the motor vehicle fees collected and disbursed by Salt Lake County. Additional revenues are provided through rental charges to Granite School District and Salt Lake County and usage fees charged to the general public.

Use of Estimates

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

Property Equipment and Depreciation

Purchased property and equipment are recorded at cost and donated items are recorded at their estimated fair value. All assets are depreciated using the straight-line basis over the following estimated useful lives:

Swimming pool and building	10 - 40 years
Tennis courts	15 - 20 years
General equipment	5 - 10 years
Office equipment	3 - 8 years
Site improvements	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. When material, interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

The District is exempt from all federal and state taxation in its capacity as a political subdivision created by Utah State law.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Property Taxes

The property taxes of the District are levied, collected and distributed by Salt Lake County as required by Utah State law. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess property as of January 1st and complete the tax rolls by May 15th. By July 21st the County Auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by November 1st, who also delivers the completed assessment rolls to the County Treasurer on that same date. Tax notices have a due date of November 30th.

2. DEPOSITS AND INVESTMENTS

Deposits and investments for the District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of December 31, 2005, \$365,869 of the District's bank balance of \$365,869 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk (Continued)**

For the year ended December 31, 2005, the District had investments of \$4,184,875 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**3. PROPERTY AND EQUIPMENT**

Changes in property and equipment consist of the following:

	<u>Balance at</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/05</u>
Swimming pool and additions	\$ 1,391,335	\$ ---	\$ ---	\$ 1,391,335
Tennis clubhouse	421,470	---	---	421,470
Recreational equipment	288,590	88,519	---	377,109
Maintenance equipment	91,145	5,099	---	96,244
Office equipment	192,641	---	---	192,641
Site improvements	721,968	39,929	---	761,897
Cost of utility service	9,713	---	---	9,713
Building addition 1998	10,872,105	---	---	10,872,105
Park	570,800	262,328	---	833,128
Land	546,171	---	---	546,171
Construction in progress	62,805	896,146	10,103	948,848
Total	15,168,743	<u>\$1,292,021</u>	<u>\$ 10,103</u>	16,450,661
Less: accumulated depreciation	( 4,264,682)			( 4,863,648)
Net property and equipment	<u>\$10,904,061</u>			<u>\$11,587,013</u>



**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

**4. LONG-TERM DEBT**

In April 2001, the District issued and sold General Obligation Refunding Bonds in the amount of \$3,670,000. The proceeds were used for achieving a debt service savings.

**GENERAL OBLIGATION RECREATION REFUNDING BONDS APRIL 1, 2001**

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Bond Principal</u>	<u>Interest</u>	<u>Total Debt Requirement For Year</u>
12/31/06	4.0%	\$ 400,000	\$112,348	\$512,348
12/31/07	4.05%	420,000	96,348	516,348
12/31/08	4.15%	440,000	79,338	519,338
12/31/09	4.20%	455,000	61,078	516,078
12/31/10	4.25%	475,000	41,968	516,968
12/31/11	4.40%	495,000	21,780	516,780
		<u>\$2,685,000</u>	<u>\$412,860</u>	<u>\$3,097,860</u>

On April 29, 1998 the District obtained a long-term note payable, which was secured by the recreation facility. The interest rate and payments are subject to change as the prime rate changes. The rate at December 31, 2005 was 4.9%.

**ZIONS BANK LONG-TERM NOTES PAYABLE**

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Note Principal</u>	<u>Interest</u>	<u>Total Debt Requirement For Year</u>
12/31/06	4.9%	\$197,844	\$21,729	\$219,573
12/31/07	4.9%	208,221	11,779	220,000
12/31/08	4.9%	104,628	1,945	106,573
		<u>\$510,693</u>	<u>\$35,453</u>	<u>\$546,146</u>

**Subsequent 5-Year Debt Disclosure**

The combined aggregate amounts of long-term debt principal and interest for the next five years and to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
12/31/06	\$ 597,844	\$134,077	\$ 731,921
12/31/07	628,221	108,127	736,348
12/31/08	544,628	81,283	625,911
12/31/09	455,000	61,078	516,078
12/31/10	475,000	41,968	516,968
12/31/11	495,000	21,780	516,780
	<u>\$3,195,693</u>	<u>\$448,313</u>	<u>\$3,644,006</u>

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

4. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2001 refunding bonds	\$3,070,000	\$ ---	\$385,000	\$2,685,000	\$400,000
Bank note payable	701,956	---	191,263	510,693	197,844
Compensated absences	<u>57,675</u>	<u>41,823</u>	<u>33,556</u>	<u>65,942</u>	<u>38,481</u>
Total	<u>\$3,829,631</u>	<u>\$41,823</u>	<u>\$609,819</u>	<u>\$3,261,635</u>	<u>\$636,325</u>

5. LEASE OF FACILITIES

Effective July 1, 1990, the District and Granite School District entered into an agreement to lease the facilities of the District. The agreement allows Kearns High School the use of the enclosed swimming pool facilities and tennis courts for several hours per day during the school year up to a maximum of 180 days.

The agreement also provides that the High School pay a base rental. The payments are due in nine equal monthly installments from September to May. Starting July 1, 1992 and each July 1st thereafter, the base rates are subject to increase in accordance with the Consumer Price Index. The payments were \$9,471 per month from January to May 2005 and were \$9,774 from September to December 2005.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

**6. EMPLOYEE RETIREMENT PLANS**

Plan Description

The District contributes to the Local Government Noncontributory Retirement System, a 457, and a 401 K Retirement Plan administered by the Utah Retirement Systems (Systems). The Systems are cost-sharing multiple employer retirement systems providing defined benefits on years of service and highest average salaries.

Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended and which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Government Noncontributory Retirement System, the District is required to contribute 11.09% (January - June 2005) and 11.59% (July - December 2005) of eligible employees annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the Local Government Noncontributory Retirement System for the years ending December 31, 2005, December 31, 2004 and December 31, 2003 were \$62,269, \$60,081 and \$48,430 respectively. The contributions were equal to the required contributions for each period.

401K Plan

The District offers its employees additional retirement benefits through a 401K plan. The District contributes to this plan on behalf of selected employees, an amount approved by the Board. The benefits are not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency and are administered by the Utah State Retirement Systems. The employees have the option to contribute amounts in excess of the District's contributions, but not exceeding statutory limitations.

Employee-paid contributions for 2005, 2004 and 2003 were \$13,706, \$9,684 and \$16,615 respectively. Employer-paid contributions to the plan for 2005, 2004 and 2003 were \$26,074, \$24,462 and \$8,409 respectively.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

6. EMPLOYEE RETIREMENT PLANS (CONTINUED)

457 Plan

The District also provides a 457 plan administered by the Utah State Retirement Systems (see above). Employee-paid contributions for 2005, 2004 and 2003 were \$37,369, \$30,560 and \$15,237 respectively. There were no employer-paid contributions to the plan for 2005, 2004 or 2003.

7. OVAL MANAGEMENT AGREEMENT

The District entered into a Speed Skating Oval Agreement with the Utah Sports Authority and its successors dated August 1, 1993 (the "Oval Agreement"). As required by the Oval Agreement, by special warranty deed dated June 16, 1994, the District conveyed a certain tract of land (the "Oval Site") to the Utah Sports Authority for the construction and operation of a speed skating oval. Under the terms of the deed, title to the Oval Site, together with title to all improvements, buildings, fixtures, appurtenances, equipment and personal property located thereon shall revert to the grantor (District) January 1, 2008.

The ownership interest in the Oval Site formerly held by the Utah Sports Authority is now held by the Utah Athletic Foundation (UAF) and the UAF currently owns and operates the speed skating oval constructed on the Oval Site and is responsible for all Oval Site operating and capital costs. Pursuant to the Oval Agreement, however, the District was obligated to contribute a maximum total of \$300,000 to cover a portion of the cost of operating and managing the Oval Site during the first three years of operation, which sum was expended as required. Until the Oval Site reverts to District ownership, the District has no further obligation to pay operation and capital expenses of the Oval Site.

8. LEGACY FUND

The non-profit UAF was established by the State Legislature to own and operate state-built Olympic facilities following the 2004 Olympic Winter Games. The Salt Lake Organizing Committee (SLOC) agreed to purchase those facilities from the State for \$99,000,000. Of that amount, \$59,000,000 was dedicated to repay state and local governments for sales taxes diverted to the Utah Sports Authority to construct the facilities. The remaining \$40,000,000 was to be paid to the UAF to establish a Legacy Fund to operate the state-built facilities after the games. Due to the success of the games, it has been reported that an amount of approximately \$76,500,000 was received by the UAF from SLOC. It is the District's understanding that the Legacy Fund is being used by the UAF to cover current operating and capital costs at the Oval Site and that, pursuant to the Oval Agreement, money from the Legacy Fund will be used to assist in funding future operating costs and winter sports development at the Oval Site. The UAF also owns and operates the Winter Sports Park located at Bear Hollow in Summit County.

**OQUIRRH RECREATION AND PARKS DISTRICT**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2005**

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has joined with other public entities in a common risk management and insurance program. The District pays premiums to this risk pool, the Utah Local Governments Trust, for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. COMMITMENTS AND SUBSEQUENT EVENTS

As of December 31, 2005, the District is about 45% completed on construction of a new pool and entrance kiosk. The project's estimated cost is \$2,100,000 and is expected to be completed in May 2006. The District has spent \$948,848 on this project as of the end of the year.

# Hansen, Bradshaw, Malmrose & Erickson

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the  
American Institute  
of Certified Public  
Accountants

Board of Trustees

Oquirrh Recreation and Parks District

Members of the  
Private Company  
Practice Section

We have audited the financial statements of Oquirrh Recreation and Parks District as of and for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Oquirrh Recreation and Parks District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oquirrh Recreation and Parks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board of trustees, management and Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

March 30, 2006

# Hansen, Bradshaw, Malmrose & Erickson

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## INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Board of Trustees  
Oquirrh Recreation and Parks District

We have audited the financial statements of Oquirrh Recreation and Parks District for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Property Tax	Purchasing Requirements
Cash Management	Special Districts	Other General Issues
Budgetary Compliance		

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of Oquirrh Recreation and Parks District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Oquirrh Recreation and Parks District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.



This report is intended solely for the information of management and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

March 30, 2006